

# Senate Study Bill 3271

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
EDUCATION BILL BY  
CHAIRPERSON SCHOENJAHN)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act providing postsecondary education lending requirements for  
2 lending institutions, the Iowa student loan liquidity  
3 corporation, accredited postsecondary institutions, and  
4 private student loan creditors.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 6565XC 82  
7 kh/rj/5

PAG LIN

1 1 Section 1. Section 7C.4A, subsection 3, Code 2007, is  
1 2 amended to read as follows:  
1 3 3. Sixteen percent of the state ceiling shall be allocated  
1 4 to qualified student loan bonds. ~~However, at any time during~~  
~~1 5 the calendar year the governor's designee, with the approval~~  
~~1 6 of the Iowa student loan liquidity corporation, may determine~~  
~~1 7 that a lesser amount need be allocated to qualified student~~  
~~1 8 loan bonds and on that date the lesser amount shall be the~~  
~~1 9 amount allocated for those bonds and the excess shall be~~  
~~1 10 allocated under subsection 7.~~

1 11 Sec. 2. Section 7C.4A, subsection 7, paragraph a, Code  
1 12 2007, is amended to read as follows:  
1 13 a. The amount of the state ceiling which is not otherwise  
1 14 allocated under subsections 1 ~~through, 2, 4, and~~ 5, and after  
1 15 June 30, the amount of the state ceiling reserved under  
1 16 subsection 6 and not allocated, shall be allocated to all  
1 17 bonds requiring an allocation under section 146 of the  
1 18 Internal Revenue Code without priority for any type of bond  
1 19 over another, except as otherwise provided in sections 7C.5  
1 20 and 7C.11.

1 21 Sec. 3. Section 7C.5, Code 2007, is amended to read as  
1 22 follows:

1 23 7C.5 FORMULA FOR ALLOCATION.

1 24 Except as provided in section 7C.4A, subsections 1 ~~through,~~  
~~1 25 2, 4, and~~ 5, the state ceiling shall be allocated among all  
1 26 political subdivisions on a statewide basis on the basis of  
1 27 the chronological orders of receipt by the governor's designee  
1 28 of the applications described in section 7C.6 with respect to  
1 29 a definitive issue of bonds, as determined by the day, hour,  
1 30 and minute time-stamped on the application immediately upon  
1 31 receipt by the governor's designee. However, for the period  
1 32 January 1 through June 30 of each year, allocations to bonds  
1 33 for which an amount of the state ceiling has been reserved  
1 34 pursuant to section 7C.4A, subsection 6, shall be made to the  
1 35 political subdivisions submitting the applications first from  
2 1 the reserved amount until the reserved amount has been fully  
2 2 allocated and then from the amount specified in section 7C.4A,  
2 3 subsection 7.

2 4 Sec. 4. NEW SECTION. 7C.13 IOWA STUDENT LOAN LIQUIDITY  
2 5 CORPORATION == REPORTS == OVERSIGHT.

2 6 1. CONDITION OF RECEIVING ALLOCATION. As a condition of  
2 7 continuing to receive the allocation of the state ceiling as  
2 8 provided in section 7C.4A, subsection 3, and to be authorized  
2 9 to issue bonds, notes, or other obligations in accordance with  
2 10 section 261.38, subsection 5, the Iowa student loan liquidity  
2 11 corporation shall comply with the provisions of this section.

2 12 2. LIMITATIONS ON ACTIVITIES. The Iowa student loan  
2 13 liquidity corporation shall limit its activities to the  
2 14 following:

2 15 a. Providing education loans for eligible borrowers.  
2 16 b. Collecting and servicing loans to borrowers made in

2 17 accordance with this section.  
2 18 c. Lender oversight and claim review and payment.  
2 19 d. Postsecondary educational institution financial aid  
2 20 training.  
2 21 e. Default prevention.

2 22 3. PROHIBITION. The Iowa student loan liquidity  
2 23 corporation shall not pay any fee to a postsecondary  
2 24 educational institution or an employee of the institution for  
2 25 the purpose of originating or otherwise directly or indirectly  
2 26 affecting the borrower's choice of a loan.

2 27 4. ANNUAL REPORT AND AUDIT. The Iowa student loan  
2 28 liquidity corporation shall submit an annual report to the  
2 29 governor, general assembly, and the auditor of state by  
2 30 January 15 setting forth the corporation's operations and  
2 31 activities conducted and newly implemented in the previous  
2 32 fiscal year and the outlook for the future. The report shall  
2 33 describe how the Iowa student loan liquidity corporation's  
2 34 activities serve its nonprofit mission to help students and  
2 35 parents obtain the financial resources necessary for a  
3 1 postsecondary education. The annual audit of the corporation  
3 2 shall be filed with the office of auditor.

3 3 5. OPEN MEETINGS AND RECORDS. The Iowa student loan  
3 4 liquidity corporation is a state agency only for the purposes  
3 5 of chapters 21 and 22. Chapter 17A does not apply to the  
3 6 corporation.

3 7 6. LEGISLATIVE REVIEW. The designation of the student  
3 8 loan secondary market and the operations and activities of the  
3 9 Iowa student loan liquidity corporation shall be subject to  
3 10 legislative review at least every five years. The review  
3 11 shall consider the reports submitted by the corporation. The  
3 12 review shall be based upon a status report containing the  
3 13 recommendations of a legislative interim committee appointed  
3 14 to conduct a review of the corporation, to be prepared with  
3 15 the assistance of the auditor of state, in collaboration with  
3 16 the department of management. The report shall include  
3 17 recommendations for a change in designation for the state  
3 18 student loan secondary market based upon corporation  
3 19 performance, an analysis of the operation of the corporation  
3 20 during the preceding five-year interval, and a summary of  
3 21 issues that have arisen since the previous review and  
3 22 potential approaches for their resolution. The first such  
3 23 report shall be submitted to the general assembly no later  
3 24 than January 1, 2013, with subsequent reports developed and  
3 25 submitted by January 1 at least every fifth year thereafter.

3 26 7. BOARD MEMBERSHIP. A member appointed to the board of  
3 27 directors of the Iowa student loan liquidity corporation must  
3 28 not have a conflict of interest and must be charged with  
3 29 representing the best interest of students and their parents  
3 30 or guardians. Notwithstanding any provision of law,  
3 31 proclamation, bylaws, or articles to the contrary, the state  
3 32 superintendent of banking, any member of the board of  
3 33 directors of a merged area, and any member of the college  
3 34 student aid commission shall not serve as a member of the  
3 35 board of directors of the corporation.

4 1 8. STATE SUPERINTENDENT OF BANKING REVIEW. The state  
4 2 superintendent of banking shall annually review the Iowa  
4 3 student loan liquidity corporation's total assets and private  
4 4 loan volume.

4 5 9. DEFINITION. For purposes of this section, "borrower"  
4 6 means the same as defined in section 261.7.

4 7 Sec. 5. NEW SECTION. 260C.30 FINANCIAL AID REQUIREMENTS.  
4 8 The board of directors of each community college shall do  
4 9 the following:

4 10 1. Require every individual who enrolls in a  
4 11 vocational=technical or career option program or a program  
4 12 which leads to an associate degree to view the financial aid  
4 13 education video made available by the college student aid  
4 14 commission in accordance with section 261.7, subsection 1.

4 15 2. Require its financial aid office to clearly distinguish  
4 16 private student loans from federal student loans in financial  
4 17 aid awards information and other materials. All materials  
4 18 provided by the financial aid office regarding private student  
4 19 loans shall state that private student loans are not  
4 20 collateralized by the federal government and can be costlier  
4 21 for borrowers than federal student loans. The financial aid  
4 22 office shall also inform prospective borrowers about the  
4 23 availability and terms of federal student loans. In  
4 24 conducting its education loan activities for students, parents  
4 25 or guardians, and lending institutions, the financial aid  
4 26 office is subject to the duties and obligations of the federal  
4 27 Truth in Lending Act to make or give to a borrower the

4 28 disclosures, information, and notices required by the Act.  
4 29 For purposes of this section, "borrower" means the same as  
4 30 defined in section 261.7.

4 31 3. Adopt the financial aid office code of conduct adopted  
4 32 by the college student aid commission pursuant to section  
4 33 261.7, subsection 2. Prohibit the use of the community  
4 34 college's name or insignia by private lenders.

4 35 4. Prohibit the community college and its financial aid  
5 1 office from entering into an agreement with a lending  
5 2 institution or otherwise providing any high-risk loans to  
5 3 borrowers in exchange for the community college providing  
5 4 concessions or promises to the lending institution that may  
5 5 prejudice other borrowers or prospective borrowers.

5 6 5. Prohibit an employee of the community college, on the  
5 7 employee's behalf or on behalf of another, from directly or  
5 8 indirectly soliciting, accepting, or receiving any gift from  
5 9 or on behalf of a lending institution. This subsection shall  
5 10 not be construed as prohibiting a community college employee  
5 11 from conducting business with any lending institution,  
5 12 provided that such business is unrelated in any manner  
5 13 whatsoever with the community college.

5 14 6. Require an employee to report to the administration any  
5 15 instance of a lending institution attempting to give a gift to  
5 16 the employee.

5 17 7. Prohibit the financial aid office from packaging a  
5 18 private student loan before determining the borrower's  
5 19 eligibility for state assistance under chapter 261 or student  
5 20 assistance under Title IV of the federal Higher Education Act  
5 21 of 1965, as amended. The board shall also prohibit the  
5 22 financial aid office from packaging a private student loan  
5 23 before awarding the full amount of state or federal assistance  
5 24 the borrower is eligible to receive under chapter 261 or under  
5 25 Title IV of the federal Higher Education Act of 1965, as  
5 26 amended.

5 27 Sec. 6. NEW SECTION. 261.7 FINANCIAL INFORMATION == CODE  
5 28 OF CONDUCT == REQUIREMENTS.

5 29 1. FINANCIAL AID EDUCATION VIDEO. The commission shall  
5 30 develop a financial aid education video for students entering  
5 31 a postsecondary institution which the commission shall make  
5 32 available on its internet site, to postsecondary educational  
5 33 institutions, and to lending institutions throughout the  
5 34 state. The focus of the video shall be on responsible student  
5 35 borrowing and budgeting.

6 1 2. CODE OF CONDUCT. The commission shall adopt by rule a  
6 2 financial aid code of conduct. Each financial aid office  
6 3 established by, and each financial aid officer employed by, a  
6 4 community college, regents university, or accredited private  
6 5 institution shall adhere to the code of conduct adopted  
6 6 pursuant to this subsection. The rules shall, at a minimum,  
6 7 provide:

6 8 a. An institutional financial aid professional is expected  
6 9 to always maintain exemplary standards of professional conduct  
6 10 in all aspects of carrying out the professional's  
6 11 responsibilities, specifically including all dealings with any  
6 12 entities involved in any manner in student financial aid,  
6 13 regardless of whether such entities are involved in a  
6 14 government sponsored, subsidized, or regulated activity.

6 15 b. A financial aid professional shall refrain from the  
6 16 following:

6 17 (1) Taking any action for personal benefit.

6 18 (2) Taking any action contrary to law, regulation, rule,  
6 19 or the best interests of the borrowers served.

6 20 (3) Soliciting or accepting anything of other than nominal  
6 21 value from any entity, other than an institution of higher  
6 22 education or a governmental entity such as the United States  
6 23 department of education, involved in the making, holding,  
6 24 consolidating, or processing of any student loans, including  
6 25 anything of value such as reimbursement of expenses for  
6 26 serving on an advisory body or as part of a training activity  
6 27 of or sponsored by any such entity.

6 28 c. A financial aid professional shall do the following:

6 29 (1) Strive to provide information that is accurate,  
6 30 unbiased, and does not reflect any preference arising from  
6 31 actual or potential personal gain.

6 32 (2) Be objective in making decisions and advising the  
6 33 financial aid office and the postsecondary education  
6 34 institution of employment regarding relationships with any  
6 35 entity involved in any aspect of student financial aid.

7 1 (3) Disclose to the financial aid office and postsecondary  
7 2 education institution of employment, in such manner as  
7 3 prescribed by the office or institution, any involvement with

7 4 or interest in any entity involved in any aspect of student  
7 5 financial aid.

7 6 3. ANNUAL REPORT. The commission shall submit an annual  
7 7 report to the governor, general assembly, and the auditor of  
7 8 state providing the default rate for each community college,  
7 9 regents university, and accredited private institution in the  
7 10 state.

7 11 4. STUDENT LOAN PROGRAM INFORMATION. The commission shall  
7 12 accumulate and periodically report information regarding  
7 13 available student loan interest rates and loan terms from  
7 14 eligible lenders as defined in section 261.35 to assist a  
7 15 potential student loan borrower evaluate various lenders'  
7 16 student loan programs.

7 17 5. OVERSIGHT, SERVICES, AND OUTREACH. The commission  
7 18 shall provide the following:

7 19 a. Lender and postsecondary educational institution  
7 20 financial aid oversight.

7 21 b. Training on student assistance provided under the  
7 22 federal Title IV of the federal Higher Education Act of 1965,  
7 23 as amended.

7 24 c. Default prevention assistance and information.

7 25 d. Student aid outreach.

7 26 e. Financial literacy outreach.

7 27 f. Lender claim review and payment processes.

7 28 6. LOAN ADVISORY FORM. The commission shall develop and  
7 29 make available to lending institutions a loan advisory form  
7 30 which includes but is not limited to a statement of rights and  
7 31 responsibilities of the borrower as well as space for the  
7 32 lending institution to provide the cumulative loan monthly  
7 33 payment for the borrower's education loan.

7 34 7. DEFINITION. "Borrower", for purposes of this section,  
7 35 means a student attending a community college, regents  
8 1 university, or accredited private institution as defined in  
8 2 section 261.9, or a parent or guardian, who obtains or applies  
8 3 to obtain an education loan from a lending institution to pay  
8 4 for or finance higher education expenses.

8 5 Sec. 7. Section 261.9, subsection 1, unnumbered paragraph  
8 6 1, Code 2007, is amended to read as follows:

8 7 "Accredited private institution" means an institution of  
8 8 higher learning located in Iowa which is operated privately  
8 9 and not controlled or administered by any state agency or any  
8 10 subdivision of the state and which meets the criteria in  
8 11 paragraphs "a" and "b" and all of the criteria in paragraphs  
8 12 "d" through ~~"g"~~ "h", except that institutions defined in  
8 13 paragraph "c" of this subsection are exempt from the  
8 14 requirements of paragraphs "a" and "b":

8 15 Sec. 8. Section 261.9, subsection 1, Code 2007, is amended  
8 16 by adding the following new paragraph:

8 17 NEW PARAGRAPH. h. Meets the following financial aid and  
8 18 lending requirements:

8 19 (1) Requires every individual who enrolls in the  
8 20 institution to view the financial aid education video made  
8 21 available by the college student aid commission in accordance  
8 22 with section 261.7, subsection 2.

8 23 (2) Requires its financial aid office to clearly  
8 24 distinguish private student loans from federal student loans  
8 25 in financial aid awards information and other materials. All  
8 26 materials provided by the financial aid office regarding  
8 27 private student loans shall state that private student loans  
8 28 are not collateralized by the federal government and can be  
8 29 costlier for borrowers than federal student loans. The  
8 30 financial aid office shall also inform prospective borrowers  
8 31 about the availability and terms of federal student loans. In  
8 32 conducting its education loan activities for students, parents  
8 33 or guardians, and lending institutions, the financial aid  
8 34 office is subject to the duties and obligations of the federal  
8 35 Truth in Lending Act to make or give to a borrower the  
9 1 disclosures, information, and notices required by the Act.  
9 2 For purposes of this section, "borrower" means the same as  
9 3 defined in section 261.7.

9 4 (3) Adopt the financial aid office code of conduct adopted  
9 5 by the college student aid commission pursuant to section  
9 6 261.7, subsection 2. Prohibit the use of the institution's  
9 7 name or insignia by private lenders.

9 8 (4) Prohibits the use of the institution's name or  
9 9 insignia by private lenders.

9 10 (5) Prohibits its financial aid office from entering into  
9 11 an agreement with a lending institution or otherwise providing  
9 12 any high-risk loans to borrowers in exchange for the  
9 13 institution providing concessions or promises to the lending  
9 14 institution that may prejudice other borrowers or prospective

9 15 borrowers.  
9 16 (6) Prohibits an employee of the institution, on the  
9 17 employee's behalf or on behalf of another, from directly or  
9 18 indirectly soliciting, accepting, or receiving any gift from  
9 19 or on behalf of a lending institution. This subsection shall  
9 20 not be construed as prohibiting an employee of the institution  
9 21 from conducting business with any lending institution,  
9 22 provided that such business is unrelated in any manner  
9 23 whatsoever with the postsecondary institution.  
9 24 (7) Requires an employee to report to the administration  
9 25 any instance of a lending institution attempting to give a  
9 26 gift to the employee.  
9 27 (8) Prohibits the financial aid office from packaging a  
9 28 private student loan before determining the borrower's  
9 29 eligibility for state assistance under this chapter 261 or  
9 30 federal assistance under Title IV of the federal Higher  
9 31 Education Act of 1965, as amended. The institution shall also  
9 32 prohibit the financial aid office from packaging a private  
9 33 student loan before awarding the full amount of state or  
9 34 federal assistance the borrower is eligible to receive under  
9 35 chapter 261 or student assistance under Title IV of the  
10 1 federal Higher Education Act of 1965, as amended.

10 2 Sec. 9. NEW SECTION. 262.34C FINANCIAL AID REQUIREMENTS.

10 3 Each institution of higher education governed by the board  
10 4 shall do the following:

10 5 1. Require every individual who enrolls in the institution  
10 6 to view the financial aid education video made available by  
10 7 the college student aid commission in accordance with section  
10 8 261.7, subsection 1.

10 9 2. Require its financial aid office to clearly distinguish  
10 10 private student loans from federal student loans in financial  
10 11 aid awards information and other materials. All materials  
10 12 provided by the financial aid office regarding private student  
10 13 loans shall state that private student loans are not  
10 14 collateralized by the federal government and can be costlier  
10 15 for borrowers than federal student loans. The financial aid  
10 16 office shall also inform prospective borrowers about the  
10 17 availability and terms of federal student loans. In  
10 18 conducting its education loan activities for students, parents  
10 19 or guardians, and lending institutions, the financial aid  
10 20 office is subject to the duties and obligations of the federal  
10 21 Truth in Lending Act as defined in section 537.1302 to make or  
10 22 give to a borrower the disclosures, information, and notices  
10 23 required by the Act. For purposes of this section, "borrower"  
10 24 means the same as defined in section 261.7.

10 25 3. Adopt the financial aid office code of conduct adopted  
10 26 by the college student aid commission pursuant to section  
10 27 261.7, subsection 2. Prohibit the use of the institution's  
10 28 name or insignia by private lenders.

10 29 4. Prohibit the use of the institution's name or insignia  
10 30 by private lenders.

10 31 5. Prohibit its financial aid office from entering into an  
10 32 agreement with a lending institution or otherwise providing  
10 33 any high-risk loans to borrowers in exchange for the  
10 34 institution providing concessions or promises to the lending  
10 35 institution that may prejudice other borrowers or prospective  
11 1 borrowers.

11 2 6. Prohibit an employee of the institution, on the  
11 3 employee's behalf or on behalf of another, from directly or  
11 4 indirectly soliciting, accepting, or receiving any gift from  
11 5 or on behalf of a lending institution. This subsection shall  
11 6 not be construed as prohibiting an employee of the institution  
11 7 from conducting business with any lending institution,  
11 8 provided that such business is unrelated in any manner  
11 9 whatsoever with the regents institution.

11 10 7. Require an employee to report to the administration any  
11 11 instance of a lending institution attempting to give a gift to  
11 12 the employee.

11 13 8. Prohibit the financial aid office from packaging a  
11 14 private student loan before determining the borrower's  
11 15 eligibility for state assistance under chapter 261 or federal  
11 16 assistance under Title IV of the federal Higher Education Act  
11 17 of 1965, as amended. The institution shall also prohibit the  
11 18 financial aid office from packaging a private student loan  
11 19 before awarding the full amount of state or federal assistance  
11 20 the borrower is eligible to receive under chapter 261 or  
11 21 student assistance under Title IV of the federal Higher  
11 22 Education Act of 1965, as amended.

11 23 Sec. 10. NEW SECTION. 537.3213 STUDENT LOAN REQUIREMENTS  
11 24 == FINANCIAL EDUCATION VIDEO.

11 25 1. As a condition of obtaining a private education loan

11 26 from a creditor, the borrower must view the financial  
11 27 education video developed and made available by the college  
11 28 student aid commission in accordance with section 261.7 during  
11 29 the education loan application process and prior to obtaining  
11 30 an education loan from a creditor.

11 31 2. The creditor shall provide a borrower with a loan  
11 32 advisory letter in the form made available by the college  
11 33 student aid commission pursuant to section 261.7.

11 34 3. The creditor shall inform the borrower of all available  
11 35 state education financing options, and financing options under  
12 1 Title IV of the federal Higher Education Act of 1965, as  
12 2 amended, including information on any terms and conditions of  
12 3 available loans under such title that are more favorable to  
12 4 the borrower, before a lending institution may provide a  
12 5 private education loan to a borrower attending a postsecondary  
12 6 educational institution with which a lending institution has  
12 7 an education loan arrangement. All private education loan  
12 8 materials distributed by the creditor shall state that private  
12 9 education loans are not collateralized by the federal  
12 10 government and can be costlier for borrowers than federal  
12 11 student loans.

12 12 4. A creditor in an education loan transaction shall  
12 13 comply with section 537.3201 and all private education loan  
12 14 rates quoted by the creditor shall include the full annual  
12 15 percentage rate in addition to any other disclosure required  
12 16 pursuant to section 537.3201. The creditor shall provide the  
12 17 borrower with an accurate annual percentage rate before the  
12 18 borrower signs an agreement of obligation for a private  
12 19 education loan.

12 20 5. A creditor shall notify the borrower's postsecondary  
12 21 educational institution prior to issuing a private education  
12 22 loan, and shall report all private education loans to the  
12 23 national student loan data system.

12 24 6. A creditor shall not do any of the following:

12 25 a. Offer payments, points, premiums, or other benefits or  
12 26 inducements to any school, school-affiliated organization, or  
12 27 other party to secure applications for education loans or to  
12 28 secure education loan volume.

12 29 b. Provide prizes or financial aid funds to a student  
12 30 attending a postsecondary education institution in exchange  
12 31 for applying for and accepting an education loan.

12 32 c. Solicit an employee of a postsecondary educational  
12 33 institution or postsecondary educational  
12 34 institution-affiliated organization to serve on a lender's  
12 35 advisory board.

13 1 d. Pay conference or training registration,  
13 2 transportation, or lodging costs for an employee of a  
13 3 postsecondary educational institution or postsecondary  
13 4 educational institution-affiliated organization.

13 5 e. Pay entertainment expenses for employees of a  
13 6 postsecondary educational institution or postsecondary  
13 7 educational institution-affiliated organization.

13 8 f. Send unsolicited student loan application mailings to a  
13 9 borrower, except one who previously borrowed a federally  
13 10 guaranteed education loan from the lender.

13 11 g. Make a financial contribution to a postsecondary  
13 12 educational institution or postsecondary educational  
13 13 institution-affiliated organization in exchange for education  
13 14 loan application referrals, volume, or placement on the  
13 15 institution's preferred lender list.

13 16 h. Conduct in-person loan counseling to borrowers on a  
13 17 postsecondary educational institution's behalf.

13 18 i. Provide a postsecondary educational institution's  
13 19 financial aid office staffing assistance, unless the  
13 20 assistance is short-term, nonrecruiting, and an emergency,  
13 21 such as a state or federally declared national disaster or  
13 22 emergency as identified by the United States department of  
13 23 education.

13 24 j. Engage in revenue sharing with a postsecondary  
13 25 educational institution.

13 26 k. Enter into an agreement or otherwise provide any  
13 27 high-risk loans in exchange for a postsecondary educational  
13 28 institution providing concessions or promises to the lending  
13 29 institution that may prejudice other borrowers or prospective  
13 30 borrowers.

13 31 7. A creditor may provide the following:

13 32 a. Assistance to a postsecondary educational institution  
13 33 that is comparable to assistance authorized to be given to  
13 34 United States department of education providers.

13 35 b. Support of and participation in student aid and  
14 1 financial literacy outreach activities offered by a

14 2 postsecondary educational institution, the college student aid  
14 3 commission, or the Iowa student loan liquidity corporation.  
14 4 c. Meals, refreshment, and receptions scheduled in  
14 5 conjunction with training, meeting, or conference events.  
14 6 d. Toll-free telephone numbers to obtain federally  
14 7 guaranteed education loan information.  
14 8 e. Free data transmission services for loan application  
14 9 processing and student status confirmation data.  
14 10 f. Reduced origination fees pursuant to 34 C.F.R. }  
14 11 682.202.  
14 12 g. Reduced interest rates.  
14 13 h. Payment of federal default fee.  
14 14 i. Purchase at a premium of a loan from another eligible  
14 15 lender under the federal family education loan program.  
14 16 j. Repayment incentive requiring one or more payments to  
14 17 receive or retain the benefit.  
14 18 k. Loan forgiveness programs for public service or other  
14 19 targeted purposes which the United States department of  
14 20 education approves, provided the programs are not marketed to  
14 21 secure student loan applicants.  
14 22 l. Other activities identified and permitted under United  
14 23 States department of education guidelines.  
14 24 8. "Borrower" for purposes of this section means the same  
14 25 as defined in section 261.7.

#### 14 26 EXPLANATION

14 27 This bill provides postsecondary education lending  
14 28 requirements for lending institutions, the Iowa student loan  
14 29 liquidity corporation, and accredited postsecondary  
14 30 institutions.

14 31 IOWA STUDENT LOAN LIQUIDITY CORPORATION. The bill  
14 32 eliminates a provision which allows the governor or the  
14 33 governor's designee to transfer bonding capacity allocated to  
14 34 qualified student loan bonds to another political subdivision.

14 35 As a condition of continuing to receive the allocation of  
15 1 the state ceiling for qualified student loan bonds, and to be  
15 2 authorized to issue bonds, notes, or other obligations by  
15 3 statute, the corporation is directed to comply with  
15 4 requirements to submit a report to the governor, general  
15 5 assembly, and the auditor of state setting forth the  
15 6 corporation's operations and activities, the outlook for the  
15 7 future, and a description of how the corporation's activities  
15 8 serve its nonprofit mission; file its annual audit with the  
15 9 office of auditor of state; and comply with the open meetings  
15 10 and records law.

15 11 The designation of the student loan secondary market and  
15 12 the operations and activities of the Iowa student loan  
15 13 liquidity corporation shall be subject to legislative review  
15 14 at least every five years.

15 15 The bill limits the corporation's activities to providing  
15 16 education loans for eligible borrowers, collecting and  
15 17 servicing those loans, lender oversight and claim review and  
15 18 payment, postsecondary educational institution financial aid  
15 19 training, and default prevention.

15 20 The bill provides that a member appointed to the board of  
15 21 directors of the Iowa student loan liquidity corporation must  
15 22 not have a conflict of interest and must be charged with  
15 23 representing the best interest of students and their parents  
15 24 or guardians. The bill prohibits the state superintendent of  
15 25 banking, any member of the board of directors of a merged  
15 26 area, and any member of the college student aid commission  
15 27 from serving on the corporation's board of directors.

15 28 The bill requires the state superintendent of banking to  
15 29 annually review the corporation's total assets and private  
15 30 loan volume.

15 31 COMMUNITY COLLEGES, REGENTS UNIVERSITIES, ACCREDITED  
15 32 POSTSECONDARY INSTITUTIONS. The bill requires community  
15 33 colleges, regents universities, and accredited postsecondary  
15 34 institutions to require every individual who enrolls in the  
15 35 institution to view the financial aid education video the bill  
16 1 requires the college student aid commission to develop and  
16 2 make available. The bill also requires institutions'  
16 3 financial aid offices to clearly distinguish private student  
16 4 loans from federal student loans and in its materials state  
16 5 that private education loans are not backed by the federal  
16 6 government. The bill makes the institutions' financial aid  
16 7 offices subject to the duties and obligations of the federal  
16 8 Truth in Lending Act to make or give to a borrower the  
16 9 disclosures, information, and notices required by the Act.

16 10 The bill prohibits the use of a postsecondary education  
16 11 institution's name or insignia by private lenders, prohibits  
16 12 an institution and its financial aid office from entering into

16 13 an agreement with a lending institution or otherwise providing  
16 14 any high-risk loans to borrowers in exchange for providing  
16 15 concessions or promises to the lending institution that may  
16 16 prejudice other borrowers or prospective borrowers, and  
16 17 prohibits an employee from directly or indirectly soliciting,  
16 18 accepting, or receiving any gift from or on behalf of a  
16 19 lending institution. The bill also requires an employee of  
16 20 postsecondary educational institutions to report to the  
16 21 institution's administrator any instance of a lending  
16 22 institution attempting to give a gift to the employee.

16 23 The bill also prohibits postsecondary education institution  
16 24 financial aid offices from packaging a private education loan  
16 25 before determining the borrower's eligibility for state or  
16 26 federal education assistance and before awarding the full  
16 27 amount of state or federal assistance the borrower is eligible  
16 28 to receive.

16 29 COLLEGE STUDENT AID COMMISSION. The commission is directed  
16 30 to develop a financial aid education video on responsible  
16 31 student borrowing and budgeting for students entering a  
16 32 postsecondary institution and must make the video available on  
16 33 its internet site, to postsecondary educational institutions,  
16 34 and lending institutions throughout the state.

16 35 The bill requires the commission to adopt by rule a  
17 1 specified financial aid code of conduct that each financial  
17 2 aid office established by, and each financial aid officer  
17 3 employed by, a community college, regents university, and  
17 4 accredited private institution must adhere to. The commission  
17 5 must also submit an annual report to the governor, general  
17 6 assembly, and the auditor of state providing the default rate  
17 7 for each state or private accredited postsecondary institution  
17 8 in the state, and must accumulate and periodically report  
17 9 student loan rates and loan term information to assist a  
17 10 potential student loan borrower evaluate various student loan  
17 11 programs.

17 12 The commission is also directed to provide lender and  
17 13 postsecondary educational institution financial institution  
17 14 oversight, training on federal student assistance, default  
17 15 prevention assistance and information, student aid outreach,  
17 16 financial literacy outreach, and lender claim review and  
17 17 payment processes.

17 18 PRIVATE STUDENT LOAN CREDITORS. The bill requires all  
17 19 student loan borrowers to view the commission's financial aid  
17 20 education video as a condition of obtaining a private  
17 21 education loan. The creditor must provide a borrower with a  
17 22 loan advisory letter, inform the borrower of all available  
17 23 state and federal education financing options, and provide  
17 24 that all private education loan materials state that the loans  
17 25 are not backed by the federal government and can be costlier  
17 26 for borrowers than federal student loans.

17 27 The creditor must comply with the federal Truth in Lending  
17 28 Act and all private education loan rates quoted by the  
17 29 creditor must include the full and accurate annual percentage  
17 30 rate. The creditor must notify the borrower's postsecondary  
17 31 educational institution prior to issuing a private education  
17 32 loan, and must report all private education loans to the  
17 33 national student loan data system.

17 34 The bill includes a list of prohibited and permissible  
17 35 activities for creditors, including prohibiting a creditor  
18 1 from directly or indirectly offering or providing any gift to  
18 2 a postsecondary educational institution employee in exchange  
18 3 for any advantage or consideration related to its education  
18 4 loan activities, from engaging in revenue sharing with a  
18 5 postsecondary educational institution, and from entering into  
18 6 an agreement or otherwise providing high-risk loans in  
18 7 exchange for a postsecondary educational institution providing  
18 8 concessions or promises to the lending institution that may  
18 9 prejudice other borrowers or prospective borrowers.

18 10 LSB 6565XC 82

18 11 kh/rj/5